

Independent Insurance Agents of Texas

COVID-19 Pandemic Business Interruption Claims (BI)

IIAT does not capture or maintain statistics about claims, therefore our response is not based on reported data, but based on inquiries to our members by their customers. Until the COVID-19 pandemic, we do not know of any other situation that challenged the Business Interruption language that we are seeing currently. It has been reported that nationally only 35-40 percent of all property policies contain any form of Business Interruption coverage. Of those policies that do contain BI coverage, most are written with similar language which is the limiting factor in the denial of BI claims associated with COVID-19 pandemic losses. The language in most policies require that there be “direct physical damage” to the insured property before coverage applies. The reason I say “most” is because there are some very large entities that have custom crafted policies that may provide coverage that does not require direct physical damage to the property.

At this time, there are many court cases that have been filed around the country challenging this provision of the policy. Until these cases are litigated, the question remains unanswered. From a financial exposure basis, it has been reported that if the COVID-19 pandemic is determined to trigger BI coverage, the potential claims would amount to approximately \$300 billion per month. If that is correct, the total uninhibited surplus of the entire insurance industry would be exhausted in just over three months.